



RPC BULLETIN

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The Impact of Changing to Two-Year Budgeting

One criticism that is often leveled at the congressional budget process is that the formulating, enacting, and executing of a budget consumes an inordinate amount of time. Given Congress' focus on budgeting, there is less time available for oversight and long-range planning, which some believe is necessary for budget control and enforcement.¹ Biennial budgeting, or a two-year budget, is one proposal that has been put forward to address these problems. Biennial budgeting can be achieved through various methods, including two-year budget resolutions, two-year appropriations, or multiyear authorizations.²

The Current System Is Broken

Biennial budgeting could provide a remedy to the current congressional budget and appropriations process that rarely meets its statutory deadlines. As the chart on the following page reflects, only three times in the last 50 years has Congress passed all of the appropriations bills on time.

Proponents of two-year budgeting argue that Congress' focus on producing annual appropriations bills prevents proper oversight for each program. The President's current budget proposal argues that "the preoccupation with these annual appropriations bills frequently precludes review and action on the growing portion of the budget that is permanently funded under entitlement law."³

¹ For a full discussion of biennial budgeting, see CRS RL30550, "Biennial Budgeting: Issues and Options," March 4, 2004.

² On February ___, 2008, Senator Domenici introduced legislation that incorporates all three factors (S. ___).

³ Fiscal Year 2009 Budget of the U.S. Government, Analytical Perspectives (p. 225), Office of Management and Budget. See: <http://www.whitehouse.gov/omb/budget/fy2009/pdf/apers/proposals.pdf>

Appropriations Acts: FY 1980 - 2008 (Regular, Continuing, and Omnibus)⁴

Fiscal Year	Congress/ Session	President	Bills Enacted by Start of Fiscal Year	Number of Continuing Resolutions (CR)	Omnibus Act of Full- Year CR	Funding Gap/ Shutdown Duration
1980	96/1	Carter	3	2	yes	11 days
1981	96/2	Carter	1	3	yes	---
1982	97/1	Reagan	0	4	yes	2 days
1983	97/2	Reagan	1	2	yes	4 days
1984	98/1	Reagan	4	2	yes	3 days
1985	98/2	Reagan	4	5	yes	3 days
1986	99/1	Reagan	0	5	yes	---
1987	99/2	Reagan	0	6	yes	1 day
1988	100/1	Reagan	0	5	yes	1 day
1989	100/2	Reagan	13	0	no	---
1990	101/1	Bush	1	3	no	---
1991	101/2	Bush	0	5	no	3 days
1992	102/1	Bush	3	4	no	---
1993	102/2	Bush	1	1	no	---
1994	103/1	Clinton	2	3	no	---
1995	103/2	Clinton	13	0	no	---
1996	104/1	Clinton	0	14	yes	26 days
1997	104/2	Clinton	7	0	yes	---
1998	105/1	Clinton	1	6	no	---
1999	105/2	Clinton	1	6	yes	---
2000	106/1	Clinton	4	7	no	---
2001	106/2	Clinton	2	21	yes	---
2002	107/1	Bush	0	8	no	---
2003	107/2	Bush	2	8	yes	---
2004	108/1	Bush	3	4	yes	---
2005	108/2	Bush	1	3	yes	---
2006	109/1	Bush	2	3	no	---
2007	109/2	Bush	1	4	yes	---
2008	110/1	Bush	0	4	yes	---

⁴ Chart Courtesy of the Office of Senator Pete Domenici.

Arguments Supporting Two-Year Budgeting

Proponents of two-year budgeting argue such a cycle could: (1) reduce the congressional workload by eliminating the need for annual review of routine matters; (2) reserve the second session of each Congress for improved oversight and program review; and (3) allow for better long-range planning by agencies.⁵

In testimony before the House Committee on Rules in 2000, then-Director of the Congressional Budget Office Dan L. Crippen made the following observation about the need for oversight with respect to unauthorized appropriations:

“Some evidence appears to support the view that Congressional oversight by authorizing committees has suffered. Over the past five years [1995 to 2000], the total amount of unauthorized appropriations (appropriations for which the applicable authorization law has expired) has averaged about \$100 billion annually.”⁶

Noting that often the issue of funding levels in an authorization bill can delay policy decisions affecting authorizations, Director Crippen stated:

“A biennial budget cycle would not make it any easier to reach a consensus on [controversial] issues. But it might make it easier for lawmakers to separate policy and funding decisions and thus increase opportunities for authorization laws to be enacted in a timely fashion.”⁷

A biennial budget process would also provide Congress with the time necessary to review spending decisions generally. This time could be used to revisit any spending decision to make sure it is the best use of the American peoples’ tax dollars.

In addition to providing Congress with additional time to conduct greater oversight with respect to expired authorizations for discretionary programs, a two-year budget could also provide Congress with the time necessary to control mandatory entitlement programs. Also, long-range planning could increase certainty about the level of future funding, which would also help state and local governments in their own budgeting processes. Proponents also argue that, historically, the President and Congress have made multiyear budget agreements. Thus, a biennial budget would be a natural extension of such agreements.

⁵ CRS RL30550, “Biennial Budgeting: Issues and Options,” March 4, 2004.

⁶ Dan L. Crippen, Director of the Congressional Budget Office, in testimony before the House Committee on Rules, March 10, 2000.

⁷ Dan L. Crippen.

Concerns About Two-Year Budgeting

One of the opponents' chief arguments against biennial budgeting is that it would lead to greater authority for the President. However, a review of the states' experiences does not provide evidence to support this argument. Critics of biennial budgeting also argue that a biennial budget would result in less accurate forecasts, since agencies already begin planning 18 months in advance. A biennial budget would mean that agencies would need to prepare a budget 30 months in advance. Finally, critics argue that the annual review of appropriations is an important part of oversight that would be lost under a biennial budget.⁸ In fact, the administrations of the past four Presidents have all supported some form of biennial budgeting.⁹

Perhaps one of the most serious concerns raised by critics of two-year budgeting is that Congress would not have the flexibility to deal with unforeseen problems such as a catastrophic terrorist event.¹⁰ Critics suggest that if such an event occurred in a non-budget year, the hands of Congress would be tied to the extent it could not act through the emergency appropriations process. However, it is important to realize that responses to emergencies are currently often handled outside the regular appropriations process, including spending increases in response to a catastrophe.

State & Local Budget Practices

Biennial budgeting has a long history at the state level. In 1940, 44 states practiced biennial budgeting and while many states have shifted away from this practice since that time, a survey of states in late 2004 revealed that 3 states, Oregon, North Dakota and Wyoming, were operating under a consolidated two-year budget.¹¹

Several other states operate under a modified two-year budget cycle where the legislature enacts a budget with two years of assumptions in the first year and then revisits those assumptions in the second year, with often significant changes in assumptions. Other states engage in a hybrid approach where smaller agencies with predictable costs are on a

⁸ General Accounting Office (GAO), "Biennial Budgeting: Three States' Experiences," October 2000. GAO-01-132. Available here: <http://www.gao.gov/new.items/d01132.pdf>.

⁹ See Senator Pete V. Domenici, *Congressional Record*, April 21, 2005, p. S4123. "President Bush has supported a biennial budgeting process. Presidents Clinton, Reagan and Bush also proposed a biennial appropriations and budget cycle. Leon Panetta, who served as White House Chief of Staff, OMB Director, and House Budget Committee Chairman, has advocated a biennial budget since the late 1970s. Former OMB and CBO Director Alice Rivlin has called for a biennial budget the past two decades. The Majority Leader is a co-sponsor of this legislation." Biennial budgeting has also been recommended by a number of federal committees and commissions, including the 1993 National Performance Review Commission, the 1989 National Economic Commission, and the Study Group on Senate Practices and Procedures (also known as the Pearson-Ribicoff Commission).

¹⁰ Robert Greenstein and James Horney, "Biennial Budgeting: Do the Drawbacks Outweigh the Advantages?" Center on Budget and Policy Priorities, June 16, 2006. Available at: <http://www.cbpp.org/6-16-06bud2.htm>

¹¹ Ronald K. Snell, "Annual and Biennial Budgeting: The Experience of State Governments," National Conference of State Legislatures, 2004.

two-year budget and larger agencies, which are more susceptible to significant cost variations, are on a single-year budget.¹²

On the state level, “the success of a budget cycle seems to depend on the commitment... to good implementation....”¹³ In Connecticut, which moved to biennial budgeting in 1991, a state legislative committee reviewed the effectiveness of biennial budgeting and concluded that two-year budgeting brought a much needed “perspective of more than one year to the [budgeting] process.”¹⁴

Some cities have found significant cost savings after moving to two-year budgeting. In the spring of 2000, Auburn, Alabama, a city with a population of 43,000 and a general fund budget of \$35 million, made the transition to a two-year budget at the request of the city manager. The motivation for this change was to extend the horizon for the city’s planning and management.¹⁵ This conversion, coupled with other reforms and improvements, was deemed a success by the city’s senior management team. The city was able to reduce staff time required to prepare the budget, enhance the city’s financial condition, and improve strategic planning. Provided that support resources were appropriately reduced, and other reforms were enacted, there is no reason that the federal government could not achieve similar cost savings by moving to biennial budgeting.

Conclusion

The current federal budget process is not working to effectively contain spending, eliminate annual budget deficits, or ensure that programs are subject to necessary congressional oversight. A change in the budget process is necessary to effectively rein in spending, balance the budget, and ensure the interests of taxpayers are met. Two-year budgeting has been successful on the state and local levels and, with additional reforms, would provide an important tool to help Congress achieve the objective of better oversight and better restraint on spending.

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¹² Ronald K. Snell.

¹³ Ronald K. Snell.

¹⁴ Ronald K. Snell.

¹⁵ Andrea Jackson, “Taking the Plunge: The Conversion to Multi-year Budgeting,” *Government Finance Review*, August 2002.